

# Department of State Service Contract Inventory FY 2013 Meaningful Analysis



*Prepared by:*

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## Executive Summary

The United States Department of State is committed to cultivating and advancing the efficiency and effectiveness of its multi-sector workforce, thereby ensuring its ability to exert global leadership in the advancement of our national interests. One tool used to improve the multi-sector workforce is the Service Contract Inventory, a Congressionally-mandated annual review of agency service contracts governed by the Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP).

The Bureau of Administration, Office of the Executive Director, Collaborative Strategy and Management Division (A/EX/CSM) maintains responsibility for assembling and examining the Department of State's annual inventory of service contracts. Acting in accordance with the provisions set forth in Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, Public Law (P.L.) 111-117, A/EX/CSM examined the agency's inventory to determine if contract labor was being used appropriately and if the mix of Federal employees and contractors was effective or required rebalancing. The results of that examination are described in this FY 2013 Meaningful Analysis.

This FY 2013 Meaningful Analysis presents the desired study outcomes expected by OFPP, as defined in Section 743(e)(2) and explained in the methodology section of this analysis. It describes the special interest functions studied, the dollars obligated to the selected Product and Service Codes (PSC) in FY 2013, and the rationale for focusing on the identified functions. It also reveals how many contracts were reviewed, explains how the contracts were selected for review, and provides the percentage of obligations the contracts covered for the PSC reviewed. Finally, it identifies any contracts that have been performed poorly, and any contracts that should be considered for conversion to performance by Federal employees or an alternative source.

In an effort to present an analysis that fulfills the technical requirements specified by OFPP, while also broadening the appeal and importance of the Service Contract Inventory to a wider audience at the Department of State, A/EX/CSM fine-tuned its approach to preparing and analyzing the data reported in this document. The methodology, which includes steps for planning, surveying, analyzing, and reporting on the agency's contracts, was designed to provide a greater degree of scrutiny of contractor roles and responsibilities.

Whereas in past years primary emphasis was placed on examining multiple special interest function codes identified by OMB, as well as special interest function codes representing the largest financial obligations for the Department of State, A/EX/CSM tightened the scope of its FY 2013 analysis to target those contracts requiring the most management consideration due to their heightened risk of workforce imbalance. Accordingly, attention is exclusively directed towards overseas contracts in Iraq, Afghanistan, and Pakistan, as well as those contracts identified as having Closely Associated to Inherently Governmental (CAIG) functions. These contracts were selected for review to guard against contractor duties transforming or expanding into inherently governmental functions, and to ensure sufficient oversight of each contract.

A/EX/CSM reviewed 61 overseas contracts in Iraq, Afghanistan, and Pakistan to determine if an overreliance on contractor support existed and to investigate any issues associated with contractor performance. The contracts represented 10 different PSC, with a combined obligation of \$513.8 million. The selection of these overseas contracts represented a step towards guarding against contractor duties transforming or expanding into inherently governmental functions, especially considering the Commission on Wartime Contracting's (CWC) 2011 study concerning the waste, fraud, abuse, and mismanagement of wartime contracts. Moreover, 57% of the overseas contracts were Time and Materials, Labor-Hour (T&M/LH) contracts. T&M/LH contracts, as specified by OMB M-09-25, are considered "high-risk." The Department of State's Foreign Affairs Manual (FAM) also classifies T&M/LH contracts as "high-risk."<sup>1</sup>

In addition to overseas pacts, contracts labeled as CAIG were selected for review to guard against contractor duties transforming or expanding into inherently governmental functions, and to ensure sufficient oversight of those contractors. Sixty-four contracts classified by the acquisition workforce as having CAIG functions were reviewed in this year's inventory. The 64 contracts represented 28 different PSC, with a combined dollar obligation of \$14.8 million.

Federal agencies risk losing control of their mission and operations when inherently governmental functions, which are required to be performed by Government Full-Time Equivalent (GFTE), are executed by contractors. To avoid this predicament, the Department of State employs a number of management initiatives to determine if it has an overreliance on contractors. Included in these initiatives is the agency's *Policy on Balanced Workforce Guidelines and Procedures*, found in 3 FAM 2160, which provides guidance on the implementation of Section 736 of the Omnibus Appropriations Act of 2009 (P.L 111-8; Division D). The *Policy on Balanced Workforce Guidelines and Procedures* adheres to OMB guidance on managing the multi-sector workforce, and establishes a Balanced Workforce Steering Group to lead and oversee implementation. Additionally, the Federal Activities Inventory Reform (FAIR) Act provides a process for identifying the functions of the agency that are commercial in nature and not inherently governmental. These initiatives, along with the Service Contract Inventory, assist the agency in maintaining its multi-sector workforce in an appropriate manner.

A/EX/CSM's analysis of the Department of State's FY 2013 service contracts revealed the following:

- The Department of State did not have any personal services contracts in the CAIG or overseas inventory reviewed by A/EX/CSM. Consequently, no personal services contracts were included in this FY 2013 Meaningful Analysis.
- The Department of State gave special management attention, as set forth in Federal Acquisition Regulation (FAR) 37.114, to CAIG functions. Of the 125 contracts reviewed, 64 contracts (51%) were classified by acquisition officials as having CAIG functions.

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<sup>1</sup> 3FAM 2165.5 Special Consideration of High-Risk Contracts classifies T&M/LH contracts as "high-risk."

- The Department of State did not use contractor employees to perform inherently governmental functions on any of the contracts analyzed. Every contracting official participating in this year's analysis indicated that there were sufficient GFTE and control mechanisms in place to ensure that contractors did not perform inherently governmental functions.
- The Department of State had specific safeguards and monitoring systems in place to ensure that work being performed by contractors had not changed or expanded during performance to become inherently governmental.
- The Department of State did not use contractor employees to perform critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations.
- There were sufficient internal agency resources at the Department of State, including Contracting Officer's Representatives (COR) and Government Technical Monitors (GTM), to manage and oversee contracts effectively.
- No contracts were identified as being performed poorly, nor were any contracts identified that should be considered for conversion to performance by Federal employees or an alternative source.
- A combined total of 35 PSC were covered in the review of CAIG and overseas contracts. The CAIG contracts covered 28 PSC, and the overseas contracts included 10 PSC. Three PSC were duplicated in both the CAIG and overseas contracts. The percentage of obligations the contracts covered for the PSC on which the entire review focused was 15%. The total obligation for the contracts reviewed by A/EX/CSM was \$528.6 million, out of a total PSC obligation of \$3.5 billion.

## Introduction

The Bureau of Administration, Office of the Executive Director, Collaborative Strategy and Management Division (A/EX/CSM) provides management analysis, policy guidance, and advisory services for the Assistant Secretary of State for Administration. This work is accomplished through numerous multi-sector workforce initiatives and Congressionally-mandated assignments including, but not limited to: Strategic Planning; Balanced Workforce Studies; Program Evaluations; the Federal Activities Inventory Reform (FAIR) Act; and the Service Contract Inventory.

Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, Public Law (P.L.) 111-117, requires civilian agencies to prepare and analyze an annual inventory of their service contracts to determine if the mix of Federal employees and contractors is effective or requires rebalancing. This process, known as the Service Contract Inventory, was designed to increase agency awareness of how contracted services are being utilized and helps agencies establish whether or not their dollars allocated on an annual basis for contracted services strike the right balance to efficiently and effectively serve the interests of the American taxpayer.

A/EX/CSM conducts the Service Contract Inventory as a strategic human capital planning effort to acquire greater awareness as to how and where the Department of State's contractors are being utilized in the performance of commercial activities. The Office of Management and Budget (OMB) advises that the Service Contract Inventory provides "insight into where, and the extent to which, contractors are being used to perform activities by analyzing how contracted resources are distributed by function and location across an agency and within its components."<sup>2</sup>

Guidance provided by OMB's Office of Federal Procurement Policy (OFPP) describes the steps involved in conducting the Service Contract Inventory, including the scope of coverage, development of the inventory, meaningful analysis of the data, agency reporting, and future inventory requirements. Operating in accordance with OFPP's guidance, primarily through OMB Memorandums issued in November 2010, December 2011, and November 2014, A/EX/CSM completed this FY 2013 Meaningful Analysis to determine if the Department of State's contract labor is being used in an appropriate manner, and if the mix of Federal employees is suitable.

This FY 2013 Meaningful Analysis presents the desired study outcomes expected by OFPP, as defined in Section 743(e)(2) and explained in the methodology section of this analysis. It describes the special interest functions studied, the dollars obligated to the selected Product and Service Codes (PSC) in FY 2013, and the rationale for focusing on the identified functions. It also reveals how many contracts were reviewed, explains how the contracts were selected for review, and provides the percentage of obligations the contracts covered for the PSC reviewed. Finally, it identifies any contracts that have been performed poorly or that should be considered for conversion to performance by Federal employees or an alternative source.

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<sup>2</sup> Office of Management and Budget. (2010). Service Contract Inventories (Memorandum for Chief Procurement Executives). Washington, DC.

## Background

Government overreliance on contractor support generates vulnerabilities and signals a potential control risk, especially as it concerns the performance of inherently governmental functions. Inherently governmental functions are decision-making duties, or tasks that require making a value judgment, and must be performed by Government Full-Time Equivalent (GFTE). For that reason, the Department of State's Foreign Affairs Manual (3 FAM) 2164 clearly states that each Bureau within the agency is responsible for managing its Federal employee resources appropriately and for ensuring that inherently governmental functions are only being performed by GFTE.

The FAM also provides rules and procedures for the implementation of Section 736 of Division D of the Omnibus Appropriations Act of 2009, and supports OMB's guidance regarding the management of the multi-sector workforce. A/EX/CSM supports the Department of State's effort to manage the multi-sector workforce primarily through four key initiatives: 1) Balanced Workforce Studies; 2) The Balanced Workforce Cost Comparison Tool; 3) FAIR Act Inventory; and 4) Service Contract Inventory.

Balanced Workforce Studies establish the appropriate amount of Federal employees and contractors within the agency. The Department of State's Office of Inspector General (OIG) frequently charges A/EX/CSM with leading Balanced Workforce Studies for Bureaus undergoing independent reviews, audits, inspections, and investigations. A/EX/CSM's contributions support the OIG's mission of ensuring the efficient use of agency resources, and compliance with applicable laws, policies, and procedures. In addition to providing this service to the OIG, A/EX/CSM also conducts the studies for other organizations in the agency.

The Balanced Workforce Cost Comparison Tool, developed by A/EX/CSM, simplifies the costing segment for Balanced Workforce Studies. The tool is user-friendly, and generates succinct and clear results that compare the costs of services between Federal employees and contractors. The tool was developed in response to OMB's directive that all Federal agencies implement a procedure for conducting cost comparisons.

The Department of State also uses the FAIR Act to help manage its multi-sector workforce. The FAIR Act of 1998 provides a process for Federal agencies to identify functions that are inherently governmental and commercial in nature. Commercial functions can be performed by both GFTE and contractors because they do not involve decision-making tasks, and they are not intimately related to the public interest. The FAIR Act's complementary relationship with the Service Contract Inventory is irrefutable, as both of these Congressionally-mandated activities establish the importance of maintaining an efficient and effective multi-sector workforce.

All four of these initiatives work hand-in-hand to promote accountability, scrutinize costs, and ensure comprehensive monitoring and regulation of the multi-sector workforce at the Department of State.



## Scope

To broaden the appeal of the Service Contract Inventory and boost its significance to more stakeholders within the agency who may find the data useful, A/EX/CSM enhanced its approach to conducting the FY 2013 analysis. The particular enhancements made, and the rationale for the shift in this year's study approach, are disclosed in detail in this FY 2013 Meaningful Analysis. Ultimately, the approach taken to conduct this year's analysis will serve as a medium for determining which special interest functions the Department of State analyzes in the future.

A/EX/CSM chose to identify and analyze PSC that were not previously the primary focus of study. For example, in FY 2012, review efforts were concentrated on: 1) The special interest functions identified by OMB for heightened consideration; and 2) The ten PSC representing the largest financial obligations for the agency. For FY 2013, the review targets two distinct contract types: 1) Contracts whose functions were classified as CAIG; and 2) Overseas contracts in Iraq, Afghanistan, and Pakistan (See Appendix C: FY 2013 CAIG Special Interest Function Codes Selected for Review, and Appendix D: FY 2013 Overseas Special Interest Function Codes Selected for Review). The percentage of obligations the contracts covered for the PSC on which the review focused was 15%.

CAIG functions, though not inherently governmental, reflect activities that are closely aligned with inherently governmental functions because of their nature and risk of impinging on the government's performance. CAIG functions include contract management, acquisition planning, and reorganization activities. The contracts labeled as CAIG were selected for review to guard against contractor duties transforming or expanding into inherently governmental functions, and to ensure sufficient oversight of those contractors. Sixty-four contracts classified by the acquisition workforce as having CAIG functions, and representing a total action obligation of \$14.8 million, were reviewed in this year's inventory.

In its Quadrennial Diplomacy and Development Review (QDDR) that was released in 2010, the Department of State recognized the need to rebuild core capabilities in critical areas, increase competition in contracting, and strengthen contract oversight and accountability. Subsequently, A/EX/CSM reviewed 61 overseas contracts in Iraq, Afghanistan, and Pakistan to determine if an overreliance on contractor support existed and to investigate any issues associated with contractor performance. The selection of overseas contracts, whose combined value was \$513.8 million, represented a step towards guarding against contractor duties transforming or expanding into inherently governmental functions, especially considering the Commission on Wartime Contracting's (CWC) 2011 study concerning the waste, fraud, abuse, and mismanagement of wartime contracts. Moreover, 57% of the overseas contracts were Time and Materials, Labor-Hour (T&M/LH) contracts. T&M/LH contracts, as specified by OMB M-09-25, are considered "high-risk." The FAM also classifies T&M/LH contracts as "high-risk."<sup>3</sup>

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<sup>3</sup> 3FAM 2165.5 Special Consideration of High-Risk Contracts classifies T&M/LH contracts as "high-risk."



As an added enhancement, A/EX/CSM improved the way it distributed and collected surveys. For the first time since conducting the Service Contract Inventory, an intranet-based survey was used to solicit feedback from acquisition officials. As a result, response times for completing the survey improved and the response rate increased by approximately 26% over last year. The intranet-based survey also allowed for increased flexibility in the structure and flow of questions, and the seamless collection and appraisal of data.

## Methodology

In establishing the methodology for assembling and examining the Department of State's annual inventory of service contracts, A/EX/CSM considered it essential to deliberate on the underlying notions for which the study itself was required. Thus, the methodology was designed to address each element identified for analysis in Section 743(e)(2) of Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117. The six elements specified in Section 743(e)(2) require the analysis to ascertain that:

- (i) Each contract in the inventory that is a personal services contract has been entered into, and is being performed, in accordance with applicable laws and regulations;
- (ii) The agency is giving special management attention, as set forth in Federal Acquisition Regulation (FAR) 37.114, to CAIG functions;
- (iii) The agency is not using contractor employees to perform inherently governmental functions;
- (iv) The agency has specific safeguards and monitoring systems in place to ensure that work being performed by contractors has not changed or expanded during performance to become an inherently governmental function;
- (v) The agency is not using contractor employees to perform critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations; and
- (vi) There are sufficient internal agency resources to manage and oversee contracts effectively.

The four key phases of this methodology, which were designed to gain insight into the Department of State's overseas contracts in Iraq, Afghanistan, and Pakistan, as well as those contracts identified as having CAIG functions, are Plan, Survey, Analyze, and Report.

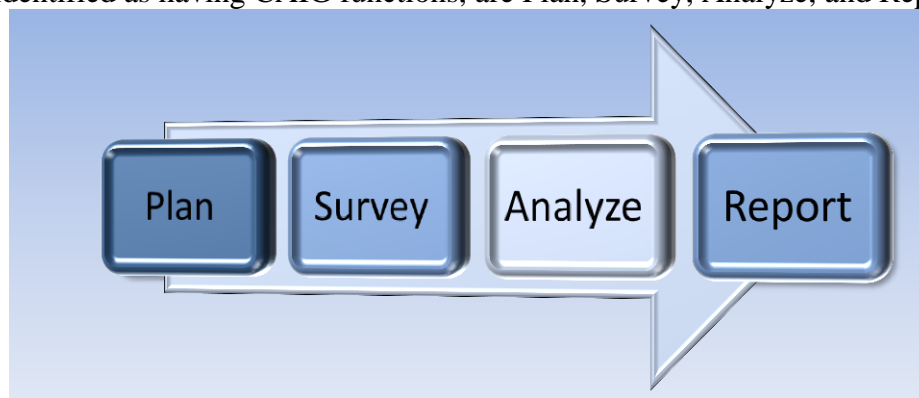


Figure 1: FY 2013 Service Contract Inventory Methodology



### Step 1: Plan

A/EX/CSM reviewed figures retrieved from the Federal Procurement Data System (FPDS), as well as historical documents and study trends, to make a determination on how best to proceed with the data collection and analysis process. This review corroborated the need to revise and modernize the survey process to ensure active participation of acquisition officials, while doing so in an efficient and inexpensive manner. After exploring survey design considerations, including user-friendliness and potential transmission errors, A/EX/CSM created an e-survey using the Bureau of Administration, Office of Logistics Management's (A/LM) intranet-based survey tool (See Appendix E: FY 2013 Service Contract Inventory Survey). The web-based e-survey was selected for its capacity to use multiple question formats, ensure confidentiality, provide a quicker turnaround time, and deposit collected data directly into a database.



### Step 2: Survey

A/EX/CSM created and distributed an intranet-based survey that solicited feedback from approximately 75 acquisition and program staff, including Contracting Officers (CO), Contracting Officer's Representatives (COR), Government Technical Monitors (GTM), and Program/Project Managers (PM). The e-survey, which consisted of 39 questions, solicited responses on issues ranging from whether contractors perform tasks that involve the final determination of agency policy, or provide special non-law enforcement security activities that do not directly involve criminal investigations, to the number of Federal employees providing oversight of contractors and the quality of the contractor's performance. A/EX/CSM conducted an extensive review of the e-survey responses and determined which surveys required a follow-up interview with members of the acquisition workforce who maintained oversight responsibility for the specified contracts. The follow-up interviews provided additional insight into the services being provided by the contractor, the level of oversight the acquisition workforce maintained over the course of the engagement, and feedback on how the multi-sector workforce performed.



### Step 3: Analyze

After the surveys were completed, A/EX/CSM conducted a random spot-check of the data to search for any discrepancies. The data was then analyzed for the purposes of ensuring that all six of the required elements covered in Section 743(e)(2) were met. As recommended by OFPP, A/EX/CSM's comprehensive analysis was based on reviews informed through the sampling of contract files, interviews of acquisition officials, and other appropriate information-gathering techniques. The analysis of data included efforts to identify contracts that were poorly performed (as determined by the responsible contracting official) because of excessive costs or inferior quality. Additionally, the analysis helped identify which, if any, contracts would be considered for conversion to performance by Federal employees or an alternative acquisition approach. Because the primary focus of the analysis was placed on reviewing contracts requiring the most management consideration due to their heightened risk of workforce imbalance, A/EX/CSM solicited recommendations from the acquisition workforce on how to strengthen agency oversight of contractor performance.



#### Step 4: Report

After the plan, survey, and analyze phases of the methodology were completed, A/EX/CSM contextualized its findings for the purpose of reporting on the management and use of service contracts at the Department of State. The report findings answer the questions posed in Section 743(e) (2), and provide additional information on the quality of contractor operations and performance. Where workforce issues are identified, the findings also report the estimated number of contractor personnel and/or labor resources involved.

## Findings

A/EX/CSM conducted its analysis of FY 2013 service contract data in order to respond to the six items specified in Section 743(e)(2), among other issues. This year's analysis represented a departure from past years. One of the most significant differences of this year's analysis is the monetary value of the contracts studied. Last year, A/EX/CSM reviewed 103 contracts whose value exceeded the \$25,000 threshold established by OMB. Those contracts represented approximately \$2.6 billion in acquisitions. This year, 125 contracts over the \$25,000 threshold were reviewed representing \$528.6 million in acquisitions. Although this figure only reflects 20% of the total amount previously studied, it in no way diminishes the merit of this year's analysis. On the contrary, one of A/EX/CSM's principal objectives was to scrutinize the contracts that required the most management consideration due to their heightened risk of workforce imbalance. The contracts falling into that category for FY 2013 included those with CAIG functions, as well as overseas contracts in Iraq, Afghanistan, and Pakistan.

Based on a thorough analysis of the data collected through FPDS, completed e-surveys, and interviews with acquisition officials, A/EX/CSM assembled its findings to meet the desired outcomes described in Section 743(e)(2). Each of the six desired outcomes is listed below as an item, and A/EX/CSM's responses are labeled as findings. The FY 2013 Service Contract Inventory findings are as follows:

Item #1: Each contract in the inventory that is a personal services contract has been entered into, and is being performed, in accordance with applicable laws and regulations.

**Findings:** Personal services contracts at the Department of State are employer-employee relationship contracts created between the Department of State and the contractor. They are statutorily exempt from procurement law, and help avert conflict with local labor law. The Department of State did not have any personal services contracts in the CAIG or overseas inventory reviewed by A/EX/CSM. Consequently, no personal services contracts were included in this FY 2013 Meaningful Analysis.

Item #2: The agency is giving special management attention, as set forth in FAR 37.114, to functions that are CAIG functions.

**Findings:** A/EX/CSM purposely selected contracts with CAIG functions to analyze in this year's inventory. Of the 125 contracts reviewed by A/EX/CSM, 64 (**51%**) were classified by acquisition officials as having CAIG functions (See Figure 2: FY 2013 Contracts Analyzed). Contracts with CAIG functions represent the majority of those examined in this FY 2013 Meaningful Analysis.

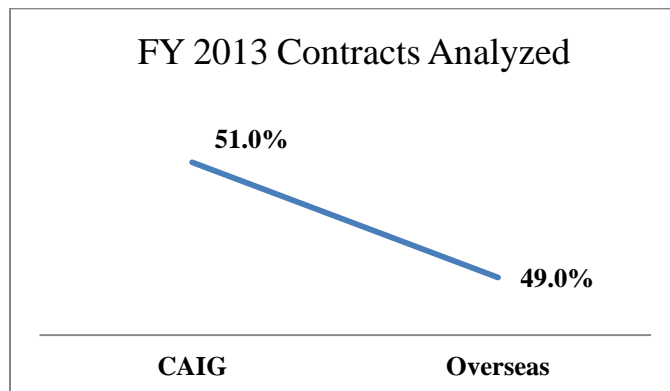


Figure 2: FY 2013 Contracts Analyzed

**Item #3:** The agency is not using contractor employees to perform inherently governmental functions.

**Findings:** One of the questions included in A/EX/CSM's survey to acquisition officials asked, "*Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions?*" Every respondent indicated that there were sufficient GFTE and control mechanisms in place to ensure that contractors were not performing inherently governmental functions. A sampling of the responses to this survey question is included below:

Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions?	
Answer	Acquisition Official's Explanation
Yes	From the initial order to proceed through specifications and details of construction, the contract was fully monitored.
Yes	Monthly progress payment requests are evaluated by the contractors and feedback is provided to the COR for final evaluation and approval.
Yes	An entire contract management office.
Yes	The contract oversight team was multi-disciplinary and maintained daily contact and oversight of the contractor.
Yes	Tasks are reviewed before Acquisitions Management lets them to insure there are no inherently governmental reviews. Also, all tasks are reviewed annually while work is ongoing.

Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions?	
Answer	Acquisition Official's Explanation
Yes	A COR is assigned and monitors performance.
Yes	A COR and supporting team of engineers is assigned.
Yes	This contract is administered by a CO, CORs, and GTMs to ensure that contractors are not performing inherently governmental functions.
Yes	The Facilities Maintenance Officer (FMO) oversees the performance of all work performed.
Yes	There is currently a PM, Training Delivery Officer, 1 COR, and 2 GTMs providing oversight and control.
Yes	The Post Regional Security Officer (RSO), In-country PM, In-Country GTM, domestic PM, and domestic Training Delivery Officer provide oversight to ensure no inherently governmental functions are performed by contractors.

Figure 3: Sampling of Survey Responses

When asked to describe their role on the contracts included in this year's inventory, **47%** of the responding officials identified themselves as COs. **50%** of the respondents said that they were CORs, and **3%** indicated that they were Contract Specialists (CS) (See Figure 4: Acquisition Official's Title). Each played a role in ensuring that contractors were not performing inherently governmental functions.

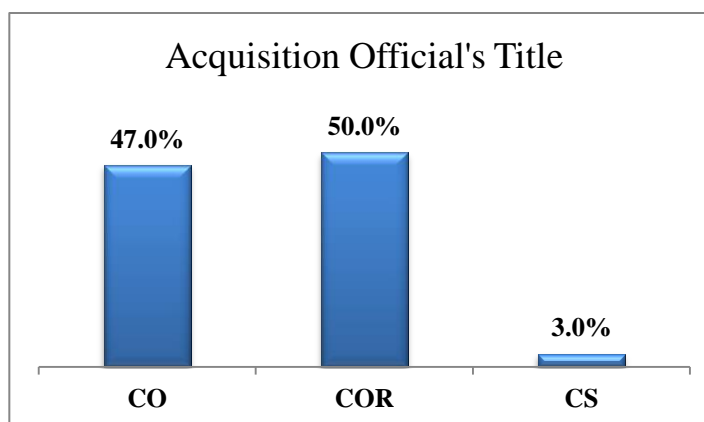


Figure 4: Acquisition Official's Title

**Item #4:** The agency has specific safeguards and monitoring systems in place to ensure that work being performed by contractors has not changed or expanded during performance to become an inherently governmental function.

**Findings:** Measures used to make sure that work being performed by contractors has not changed or expanded include maintaining a cadre of CORs and GTMs who are responsible for providing oversight of contractor performance. Because the number of contractors and type of functions performed on each contract varies according to specified needs, the number of CORs and GTMs providing oversight also varies.

A/EX/CSM asked the acquisition officials, "How many CORs and/or GTMs are providing oversight on this contract?" **33%** of the respondents indicated that one COR/GTM provided oversight; **42%** answered that two to three CORs/GTMs provided oversight; **17%** replied that four to nine CORs/GTMs provided oversight;

and 8% indicated that ten or more CORs/GTMs provided oversight (See Figure 5: CORs and GTMs Providing Oversight).

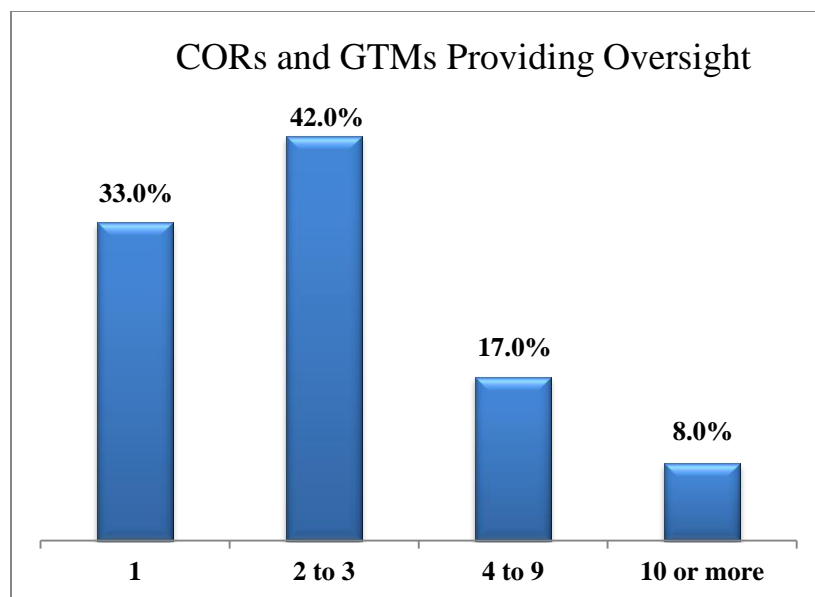


Figure 5: CORs and GTMs Providing Oversight

**Item #5:** The agency is not using contractor employees to perform critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations.

**Finding:** The results of the surveys collected from acquisition officials showed that the Department of State is not using contractors to perform critical functions in a way that could affect the ability of the agency to effectively maintain control of its mission and operations. This was affirmed by 100% of the survey respondents. Additionally, follow-up interviews conducted with acquisition officials confirmed that contractors were not being used to perform critical functions in a way that could affect the ability of the agency to effectively maintain control of its mission and operations.

**Item #6:** There are sufficient internal agency resources to manage and oversee contracts effectively.

**Finding:** A/EX/CSM's analysis of survey data, as well as interview responses, shows that the Department of State has sufficient resources to manage and oversee its contracts effectively. One of the most effective ways that the agency manages and oversees contracts is through the work of CORs and GTMs. The agency's acquisition

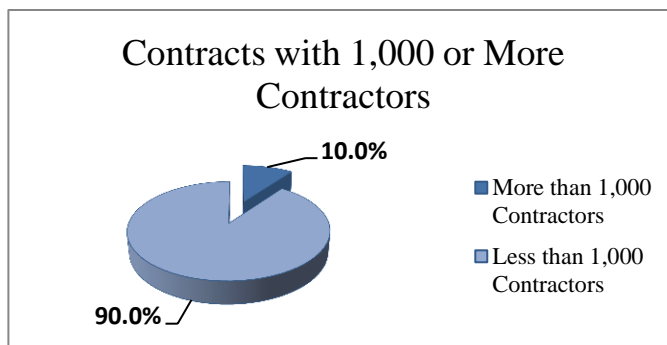


Figure 6: Contracts with 1,000 or More Contractors

officials oversee engagements with a wide range of contract employees.

For example, **10%** of the contracts reviewed in this year's inventory had more than 1,000 contractors performing work both on-site and off-site (See Figure 6: Contracts with 1,000 or More Contractors). One contract had 1,500 contractors and 35 CORs/GTMs providing oversight duties. United States Embassy GFTE, who served as GTMs, were included in the number of acquisition officials who provided support to the COR in overseeing the performance of the 1,500 contractors. Conversely, **90%** of the contracts reviewed by A/EX/CSM had less than 1,000 private-sector employees performing work.

While **10%** of the reviewed contracts had 1,000 or more contract employees providing support to the agency, **34%** of the reviewed contracts had more than 250 contract employees (See Figure 7: Contracts with 250 or more Contractors). For example, one contract had 288 contractors who provided administrative and logistics support for weapons systems employed in support of protective security operations. The GFTE providing oversight on the contract included a total of seven CORs and GTMs who continuously monitored all work tasks to make certain that the contractors were not performing inherently governmental functions.

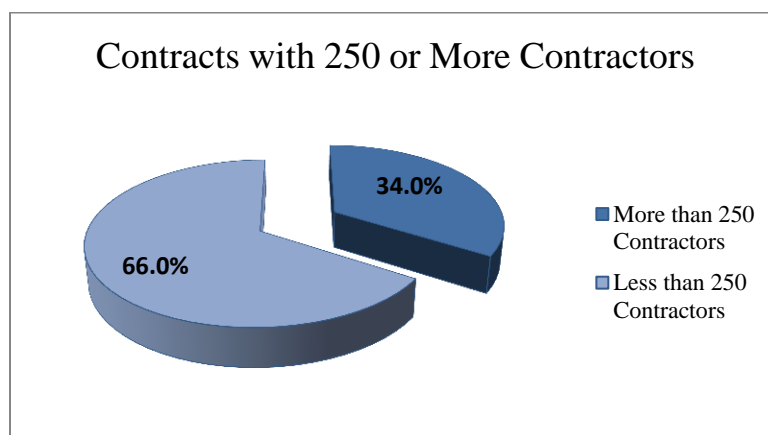


Figure 7: Contracts with 250 or More Contractors

The majority of the contracts (**66%**) had less than 250 contractors performing work for the agency. For example, one contract was staffed with two private-sector employees who conducted construction project inspections as part of the COR's Quality Assurance program. The contractors also provided input to the COR for evaluation and final acceptance of the work. Two GFTE provided oversight on the contract to ensure that the work performed by contractors did not affect the ability of the agency to maintain control of its mission and operations and that the contractors were not performing inherently governmental functions.



**Additional Findings:**

- A combined total of 35 PSC were covered in the review of CAIG and overseas contracts. The CAIG contracts covered 28 PSC, and the overseas contracts included 10 PSC. Three PSC were duplicated in both the CAIG and overseas contracts. The percentage of obligations the contracts covered for the PSC on which the entire review focused was 15%. The total obligation for the contracts reviewed by A/EX/CSM was \$528.6 million, out of a total PSC obligation of \$3.5 billion.
- No contracts were identified as being performed poorly, nor were any contracts identified that should be considered for conversion to performance by Federal employees or an alternative source.
- Overall, acquisition officials indicated that the contractors were performing well. When asked how they would rate the contractor's performance, **22%** of the acquisition officials selected "exceptional" and **66%** selected "good." The remaining respondents, **12%**, rated contractor performance as "fair." None of the acquisition officials indicated that contractor performance was "unsatisfactory" (See Figure 8: Contractor Performance Ratings).

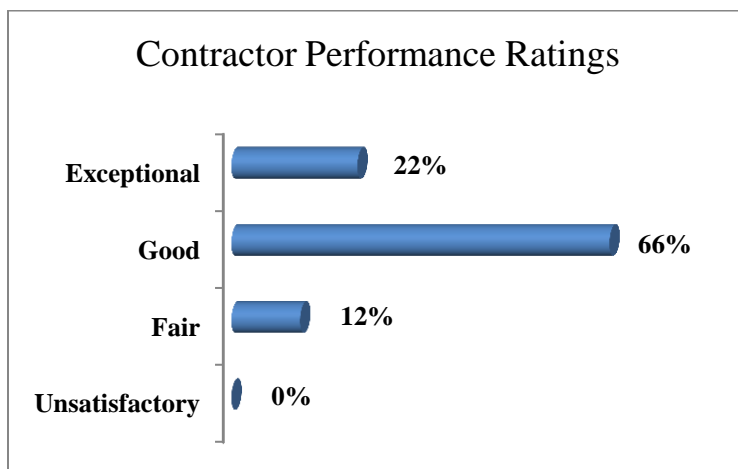


Figure 8: Contractor Performance Ratings

- Of the 28 PSC covered in the review of CAIG contracts, the three largest represent \$10.1 million (69%) of the total action obligation (See Figure 9: Three Largest PSC for CAIG Contracts). PSC Y1AZ, Construction of other Administrative Facilities and Service Buildings, reflects the largest share with \$4 million (**27%**). PSC D313, Information Technology (IT) and Telecom, is the second largest with \$3.6 million (**25%**). PSC R799 reflects the third largest with \$2.5 million (**17%**).

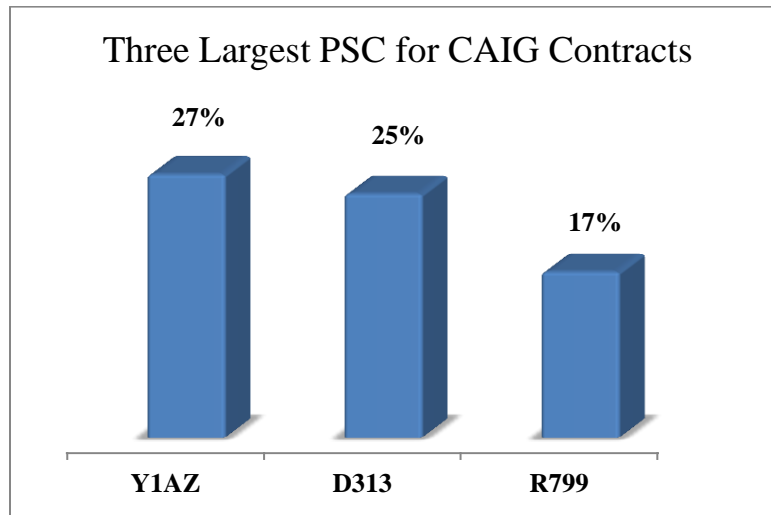


Figure 9: Three Largest PSC for CAIG Contracts

- Ten PSC were covered in the review of overseas contracts. The three largest PSC represent approximately \$475 million (92%) of the total action obligation (See Figure 10: Three Largest PSC for Overseas Contracts). PSC S206, Housekeeping – Guard, reflects the largest share with \$323 million (**63%**). PSC R408, Support – Professional: Program Management/Support, is the second largest with \$93 million (**18%**). PSC Y1AA, Construction of Office Buildings, reflects the third largest with \$59 million (**11%**).

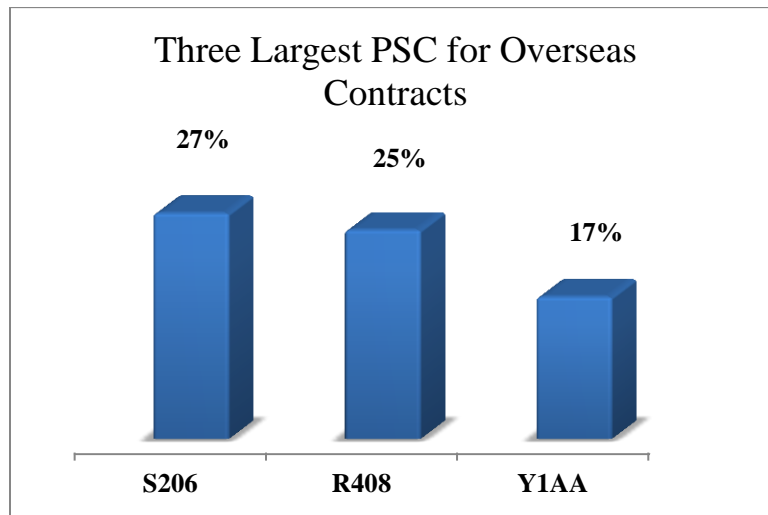


Figure 10: Three Largest PSC for Overseas Contracts

## Planned Actions

### Past Actions

In the Department of State's FY 2012 Meaningful Analysis, A/EX/CSM identified six potential actions that might improve its efforts in the future. Those actions, and any steps taken to implement them, are listed below:

- When there is a switch of COs and/or CORs on a contract, due diligence should be given to update those changes in the contract files and all electronic databases.

*Update: For the FY 2013 Meaningful Analysis, A/EX/CSM encountered some issues connecting with the correct COR on certain contracts. However, most acquisition officials were helpful in linking A/EX/CSM with the correct COR. A/EX/CSM will continue to encourage acquisition officials to perform updates when necessary.*

- Procurement staff should do a thorough review of the Procurement Instrument Identifier (PIID) in comparison to the Indefinite Delivery Vehicles (IDVs) PIID to make sure that these numbers are correct and reference a distinct contract when they are loaded into FPDS.

*Update: A/EX/CSM met with the Branch Chief for Acquisitions to discuss the PIID and IDV issues it encountered completing the FY 2012 analysis. The Branch Chief suggested that the PIID is the only identifier that should be used to conduct the FY 2013 analysis. This approach resolved a number of issues that A/EX/CSM encountered in the past.*

- Assemble the "Lessons Learned" by A/EX/CSM staff from the past three service contract analysis efforts and post them on A/EX/CSM's SharePoint site to assist COs, CORs, GTMs and all others with future Service Contract Inventory analyses.

*Update: A/EX/CSM posted the information on its SharePoint site.*

- A/EX/CSM will develop an electronic survey for collecting, maintaining and analyzing the data to identify additional trends and eliminate multiple entry requirements.

*Update: A/EX/CSM created and distributed an e-survey to gather and analyze responses from acquisition officials for the FY 2013 Service Contract Inventory.*

- A/EX/CSM will continue to support the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) by providing guidance on the use of the Request for Services Contract Approval form "DS-4208" and by participating in COR Conferences sponsored by A/LM.

*Update: A/EX/CSM is better positioned to pursue participation in the 2015 COR Conference.*

- A/EX/CSM is coordinating a revision of 3 FAM 2160 policy on Balanced Workforce Guidelines and Procedures.

*Update: Having spent the past year carefully assessing and documenting annual guidelines, procedures, requirements, and resources relevant to both the Service Contract Inventory and FAIR Act, A/EX/CSM is now positioned to finalize its enhancements to 3 FAM 2160 beginning January 2015.*

### **Future Actions**

In addition to providing assistance for the on-going actions identified in its FY 2012 Meaningful Analysis, A/EX/CSM proposes taking the following actions in the future:

- A/EX/CSM should continue to utilize A/LMs intranet-based survey to create, distribute, and collect its survey information.
- A/EX/CSM should modify the design of its intranet-based survey to capture feedback on if, and what, acquisition officials would recommend in order for the Service Contract Inventory to be of more value to the Department of State.
- A/EX/CSM should develop a “community of practice” with three or more other organizations within the agency to discuss the Service Contract Inventory and how it could serve as a better resource for the Department of State.
- A/EX/CSM should convey to the Department of State’s Office of the Procurement Executive (OPE) the importance of contractors adding pertinent data into the System for Award Management (SAM).
- A/EX/CSM is finalizing revision of 3 FAM 2160 policy on Balanced Workforce Guidelines and Procedures for an expected January 2015 issuance.

### **Accountable Officials**

The senior agency management official who is accountable for the development of agency policies, procedures, and training associated with OFPP Policy Letter 11-01 addressing the performance of inherently governmental and critical functions is **Joyce Barr, Assistant Secretary of State for Administration**.

The official who is responsible for ensuring appropriate internal management attention is given to the development and analysis of service contract inventories is **Marlon Henry, Management and Program Analyst, A/EX/CSM**.

## Appendix

### Appendix A: Acronyms

Acronym	Term
A/EX/CSM	Bureau of Administration, Office of the Executive Director, Collaborative Strategy and Management Division
A/LM	Bureau of Administration, Office of Logistics Management
A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
CAD/CAM	Computer Aided Design/Computer Aided Manufacturing
CAIG	Closely Associated to Inherently Governmental
CWC	Commission on Wartime Contracting
CO	Contracting Officer
COR	Contracting Officer's Representative
CS	Contract Specialist
FAIR	Federal Activities Inventory Reform
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
FMO	Facilities Maintenance Officer
FPDS	Federal Procurement Data System
FTE	Full-Time Equivalent
FY	Fiscal Year
GFTE	Government Full-Time Equivalent
GTM	Government Technical Monitor
IDV	Indefinite Delivery Vehicles
IT	Information Technology
OFPP	Office of Federal Procurement Policy
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of the Procurement Executive
PIID	Procurement Instrument Identifier
PL	Public Law
PM	Program Manager/Project Manager
PSC	Product and Service Codes
QC	Quality Control
QDDR	Quadrennial Diplomacy and Development Review
R&D	Research and Development
RSO	Regional Security Officer
SAM	System for Award Management
T&M/LH	Time and Materials, Labor-Hour

**Appendix B: Report Figures (Graphics)**

Number	Title
Figure 1	FY 2013 Service Contract Inventory Methodology
Figure 2	FY 2013 Contracts Analyzed
Figure 3	Sampling of Survey Responses
Figure 4	Acquisition Official's Title
Figure 5	CORs and GTMs Providing Oversight
Figure 6	Contracts with 1,000 or More Contractors
Figure 7	Contracts with 250 or More Contractors
Figure 8	Contractor Performance Ratings
Figure 9	Three Largest PSC for CAIG Contracts
Figure 10	Three Largest PSC for Overseas Contracts

## Appendix C: FY 2013 CAIG Special Interest Function Codes Selected for Review

FY 2013 PRODUCT AND SERVICE CODES FOR REVIEW			
Closely Associated to Inherently Governmental Services			
PSC	PSC Description	Action Obligation	Percentage
AL11	Research and Development (R&D) – Income Security: Employment (Basic Research)	\$182,250.37	1.23%
B506	Special Studies/Analysis – Data (Other than Scientific)	\$32,651.86	0.22%
B537	Special Studies/Analysis – Medical Health	\$141,449.00	0.95%
B553	Special Studies/Analysis - Communications	\$138,436.03	0.93%
C1FZ	Architect and Engineering – Construction: Other Residential Buildings	\$102,804.27	0.69%
D309	IT and Telecom – Information and Data Broadcasting or Data Distribution	\$167,033.88	1.13%
D310	IT and Telecom – Cyber Security and Data Backup	\$32,083.37	0.22%
D313	IT and Telecom – Computer Aided Design/Computer Aided Manufacturing (CAD/CAM)	\$3,699,766.76	24.94%
D316	IT and Telecom – Telecommunications Network Management	\$53,944.80	0.36%
H918	Other Quality Control (QC) QC/Test/Inspect – Space Vehicles	\$39,200.00	0.26%
H943	Other QC/Test/Inspect – Pumps and Compressors	\$34,116.70	0.23%
K030	Modification of Equipment – Mechanical Power Transmission Equipment	\$27,077.50	0.18%
L073	Technical Representative – Food Preparation and Servicing Equipment	\$25,502.30	0.17%
N043	Installation of Equipment – Pumps and Compressors	\$33,770.83	0.23%
R408	Support – Professional: Program Management/Support	\$245,320.24	1.65%
R431	Support – Professional: Human Resources	\$33,551.36	0.23%
R499	Support – Professional: Other	\$43,557.00	0.29%
R703	Support – Management: Accounting	\$414,345.52	2.79%
R799	Support – Management: Other	\$2,500,000.00	16.85%
S216	Housekeeping – Facilities Operations Support	\$1,014,141.88	6.84%
V231	Transportation/Travel/Relocation – Travel/Lodging/Recruitment: Lodging, Hotel/Motel	\$1,226,916.96	8.27%
X1NA	Lease/Rental of Fuel Supply Facilities	\$63,000.00	0.42%
Y1AZ	Construction of Other Administrative Facilities and Service Buildings	\$4,000,000.00	26.96%
Y1JZ	Construction of Miscellaneous Buildings	\$119,472.67	0.81%
Y1NZ	Construction of Other Utilities	\$47,093.69	0.32%
Z1AA	Maintenance of Office Buildings	\$38,387.22	0.26%
Z1FA	Maintenance of Family Housing Facilities	\$174,336.02	1.18%
Z1NZ	Maintenance of Other Facilities	\$206,130.09	1.39%
TOTAL		\$14,836,340.32	100%



## Appendix D: FY 2013 Overseas Special Interest Function Codes Selected for Review

FY 2013 PRODUCT AND SERVICE CODES FOR REVIEW			
Overseas Services			
PSC	PSC Description	Action Obligation	Percentage
C1AA	Architect and Engineering – Construction: Office Buildings	\$1,075,104.63	0.21%
D399	IT and Telecom – Other IT and Telecommunications	\$73,576.21	0.01%
J015	Maintenance/Repair/Rebuild of Equipment – Aircraft and Airframe Structural Components	\$13,801,313.17	2.69%
R408	Support – Professional: Program Management/Support	\$92,829,724.86	18.07%
R499	Support – Professional: Other	\$3,741,476.69	0.73%
R706	Support – Management: Logistics Support	\$19,801,386.14	3.85%
R707	Support – Management: Contract/Procurement/Acquisition Support	\$284,509.59	0.06%
S206	Housekeeping - Guard	\$323,086,522.57	62.88%
Y1AA	Construction of Office Buildings	\$59,039,932.30	11.49%
Y1AZ	Construction of Other Admin Facilities and Service Buildings	\$50,435.83	0.01%
<b>TOTAL</b>		<b>\$513,783,981.99</b>	<b>100%</b>

## **Appendix E: FY 2013 Service Contract Inventory Survey**

- 1) Please provide the PIID for this contract in the text box below.
- 2) Do any contractors provide legal advice and/or final interpretations of regulations and statutes to Government officials? If “Yes,” please give an example.
- 3) Do any contractors perform tasks that involve the direct conduct of criminal investigations? If “Yes,” please give an example.
- 4) Do any contractors perform tasks involving the direct control of prosecutions and/or the performance of adjudicatory functions other than those relating to arbitration or other methods of alternative dispute resolution? If “Yes,” please give an example.
- 5) Do any contractors perform tasks involving the conduct of foreign relations and the final determination of foreign policy, budget policy, budget requests, guidance, and/or strategy? If “Yes,” please give an example.
- 6) Do any contractors perform tasks that involve the final determination of agency policy, such as determining the content and application of regulations? If “Yes,” please give an example.
- 7) Do contract tasks involve the final direction and control of Federal employees? If “Yes,” please give an example.
- 8) Do contract tasks involve the final selection or non-selection of individuals for Federal Government employment, including the interviewing of individuals for employment? If “Yes,” please give an example.
- 9) Do contract tasks involve the final approval of position descriptions and performance standards for Federal employees? If “Yes,” please give an example.
- 10) Do any contractors make the final determination of what Government property is to be disposed of, and on what terms (although an agency may give contractors authority to dispose of property at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency)? If “Yes,” please give an example.
- 11) Do any contractors make final decisions regarding supplies or services that are acquired by the Government (although an agency may give contractors authority to acquire supplies at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency)? If “Yes,” please give an example.
- 12) Do any contractors provide final approval of agency responses to Freedom of Information Act requests (other than routine responses that, because of statute, regulation, or agency policy, do not require the exercise of judgment in determining whether documents are to be released or withheld), and/or the final approval of agency responses to the

administrative appeals of denials of Freedom of Information Act requests? If “Yes,” please give an example.

13) Do any contractors conduct administrative hearings to determine the final eligibility of any person for a security clearance, or take actions that affect matters of personal reputation or eligibility to participate in Government programs? If “Yes,” please give an example.

14) Do any contractors draft Congressional testimony, respond to Congressional correspondence, or provide agency responses to audit reports from the Inspector General, Government Accountability Office, or other Federal audit entities? If “Yes,” please give an example.

15) Do any contractors make the final judgment regarding monetary transactions and entitlements? If “Yes,” please give an example.

16) Do contract tasks involve the final interpretation and execution of the laws of the United States so as to bind the United States to take, or not take, action by contract, policy, regulation, authorization, order, etc.? If “Yes,” please give an example.

17) Do any contractors make value judgments/final decisions for the Federal Government? If “Yes,” please give an example.

18) Do contract tasks involve the interpretation and execution of the laws of the United States to determine, protect, and/or advance United States economic, political, territorial, property or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management or otherwise? If “Yes,” please give an example.

19) Do contract tasks involve final approval of any contractual documents, to include documents defining requirements, incentive plans, and evaluation criteria? If “Yes,” please give an example.

20) Do any contractors make the final determination for awarding or terminating contracts? If “Yes,” please give an example.

21) Do contract tasks involve the final determination of whether contract costs are reasonable, and allowable? If “Yes,” please give an example.

22) Do contract tasks involve administering contracts (including ordering changes in contract performance or contract quantities, taking action based on evaluations of contractor performance, and making the final acceptance or rejection of contractor products or services)? If “Yes,” please give an example.

23) Do contractors perform tasks that involve or relate to reorganization and planning activities? If “Yes,” please give an example.

24) Do any contractors perform tasks that involve or relate to the development of regulations? If “Yes,” please give an example.

25) Do any contractors perform tasks associated with acquisition and program management staff (i.e., acquisition planning or contract management activities where the contractor might influence official evaluation of other contractors)? Other examples may include evaluating the technical aspects of contract proposals; providing assistance in developing Statements of Work; providing information regarding agency policies or regulations such as attending conferences on behalf of an agency; conducting community relations campaigns; or conducting evaluations of another contractor's performance? If "Yes," please give an example.

26) Do contract tasks involve contractors constructing buildings or structures intended to be secure from electronic eavesdropping or other penetration by foreign governments? If "Yes," please give an example.

27) Do any contractors provide special non-law enforcement security activities that do not directly involve criminal investigations (i.e., prisoner detention or transport; non-military national security details; and/or overseas private security operations)? If "Yes," please give an example.

28) Do any contractors provide inspection services? If "Yes," please give an example.

29) Do contract tasks involve contract interrogators, combat security training, or logistics support required for weapons systems that deploy with operational units? If "Yes," please give an example.

30) Do any contractors serve as technical advisors to a source selection board, or participate as voting or nonvoting members of a source evaluation board? If "Yes," please give an example.

31) Is there sufficient government expertise to oversee contractor performance of the contract? Please explain.

32) Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions? If "Yes," please give an example. If "No," please explain.

33) Are there enough CORs appointed to this contract to ensure the proper oversight of contractor performance? If "No," please explain.

34) How many contractors are performing work on this contract (where contractors equal the number of Full Time Equivalent (FTE), not the number of vendors)?

35) Are any contractors performing critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations? Please explain.

36) How many CORs and/or GTMs are providing oversight on this contract?

37) Please describe your role on the contract (CO, CS, COR, PM, GTM).

38) How would you rate the contractor's performance?

39) In your opinion, who should perform the work on this contract?